

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 AF-10 SPC-03 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01

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R 151608Z OCT 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 2180

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, NL, IMF

SUBJECT: OORT ON MONETARY NEGOTIATIONS

1. IN POST-MORTEM WITH ECON/COMMERCIAL COUNSELOR ON NAIROBI
AND EC MONETARY COMMITTEE MEETINGS, DUTCH TREASURER GENERAL
OORT MADE FOLLOWING POINTS OF SOME INTEREST:

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(A) NAIROBI DID NOT BRING SIGNIFICANT PROGRESS TOWARD MONETARY REPORT. INDEED, ALI WARDHANA "FIRST OUTLINE OF REFORM" WAS STEP BACKWARDS BECAUSE IT GLOSSED OVER REAL DIFFERENCES, BOTH TECHNICAL AND FUNDAMENTAL, WHICH MUST EVENTUALLY BE FACED UP TO.

(B) EMERGENCE OF NEW "BIG FIVE" WITHIN C-20 IS ALOS RETROGRADE STEP. EXPANSION OF G-10 TO C-20 WAS BAD US MISTAKE; CONTRACTION TO B-5 COULD MAKE MATTERS STILL WORSE.

(C) JULY 31 DEADLINE FOR FINAL RECOMMENDATIONS IS UNREALISTIC. UNTIL US BOP IS STRONG ENOUGH TO PERMIT RESTORATION OF DOLLAR CONVERTIBILITY, AT LEAST ON FUTURE TRANSACTION, REALTIVE NEGOTIATING

POSITIONS OF MAIN PARTIES ARE TOO UNBALANCED TO PERMIT REAL BREAKTHROUGHS ON SUCH POINTS AS ROLE OF GOLD AND SETTLEMENT SYSTEM. AGREEMENT ON ADJUSTMENT PROCESS AND PRESSURES, HOWEVER, IS PROBABLY WITHIN REACH.

(D) OORT SHARES ALL US CONCERNS ABOUT SDR LINK BUT DOES NOT CONSIDER PROBLEM INSOLUBLE. WHAT IS NEEDED, IN OORT'S VIEW, IS OBJECTIVE INDICATOR OF WORLD LIQUIDITY NEEDS WHICH IS CREDIBLE ENOUGH TO WITHSTAND LDC PRESSURES FOR EXCESSIVE SDR CREATION.

(E) DUTCH AGREE WITH GERMANS THAT NECESSARY PRECONDITIONS FOR ADVANCEMENT TOPHASE II OF EMU ARE NOT IN SIGHT. COMMITMENT OF EXCHANGE RESERVES, FOR EXAMPLE, WHOSE TRUE VALUE IS UNCERTAIN FLUCTUATING, TO CENTRAL FUND WHOSE OBJECTIVES AND TECHNIQUES ARE UNDEFINED IS UNTHINKABLE UNLESS AND UNTILL EC COMMISSION AND PARLIAMENT ARE DELEGATED ENOUGH AUTHORITY TO WITHSTAND NATIONAL RAIDS ON THE COMMON TILL. OORT SADLY CONCLUDES, HOWEVER, THAT IF POLITICAL IMPERATIVES AMONG NINE FOR FACADE OF PROGRESS TOWARD EMU SHOULD, IN THE END, OUTWEIGH PRACTICAL OBJECTIONS TO METHODS PROPOSED DUTCH WOULD NOT FIGHT ON ALONE.
TANGUY

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